

Registration number: 08312432

Balfour Beatty Group Employment Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017



Balfour Beatty Group Employment Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report to the Members of Balfour Beatty Group Employment Limited	6 to 7
Profit and Loss Account	8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 31

Balfour Beatty Group Employment Limited

Company Information

Directors	P J Harrison
	D R Mercer
	P A Raby
	G Russell
	D M Smith
Company secretary	Bnoms Limited
Registered office	5 Churchill Place Canary Wharf London E14 5HU
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

Balfour Beatty Group Employment Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the Company is the employing entity for Balfour Beatty plc Group's UK businesses (excluding Balfour Beatty Living Places). Balfour Beatty Group Employment Limited assigns the services of the employees back to the respective UK business. In consideration the Company levies a management fee to the UK legal entities equivalent to the total staff costs. The Company was incorporated on 29 November 2012 and the employees of Balfour Beatty plc Group's UK businesses were transferred to Balfour Beatty Group Employment Limited on 1 February 2013.

Business review

The Company made a loss after taxation in the year of £17m (2016: £9m).

The balance sheet on page 10 of the financial statements shows the Company's financial position at the end of the financial year. The shareholders' funds at the year end were £75m (2016: £123m deficit).

The directors regard the above as the key performance indicators for the Company.

On 12 December 2013 the Group disposed of its UK facilities management business, Balfour Beatty WorkPlace (BBW), a participating employer in the Balfour Beatty Pension Fund (BBPF). The Company retains the obligation to provide pension benefits arising on past service accrual in the BBPF for the majority of BBW employees.

Principal risks and uncertainties

The principal risks facing the Company are set out in Balfour Beatty plc's Financial Statements 2017.

The Company also faces significant risks and uncertainties that are common to many companies - including financial and treasury risks, information security risks, business continuity and crisis management and hazard risks.

Going concern

The Company's ultimate parent company, Balfour Beatty plc, has agreed to provide or procure adequate financial resources to allow the Company to meet its obligations as they fall due for a period of not less than twelve months from the date of signing the financial statements.

The Directors have also reviewed the available bank facilities and the future prospects of the Company. Based on this review and having made appropriate enquiries of the Directors of Balfour Beatty plc and considered the current market conditions, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

Financial instruments

The Company's activities do not expose it to price risk, liquidity risk or cash flow risk. The Company's financial assets are principally amounts owed by Balfour Beatty Group undertakings, for which the credit risk is limited. The Company's financial liabilities are amounts owed to Balfour Beatty Group undertakings and the defined benefit pension schemes, for which the cash flow risk is limited. The Company has not used financial instruments to change its exposure to any of the above risks.

Balfour Beatty Group Employment Limited

Strategic Report for the Year Ended 31 December 2017

Employment

As the Company's employees operate across a number of business sectors in different environments, a decentralised management structure has evolved, with employment policies designed to suit the needs of individual businesses and comply with certain key principles in its design and practice of employment policy. These are:

- to provide a safe, open, inclusive and challenging environment that attracts and retains the best people;
- to enable all employees to perform at their best and realise their full potential, assisted by the appropriate training and career development;
- to communicate the strategy of the Company, the objectives of each respective business and the role and objectives of each employee within that business;
- to actively consult with all employees and engage in a participating environment that fosters the exchange of best practice, collaboration and Company cohesion of purpose;
- to provide market competitive pay and benefits that reward both individual and collective performance;
- to ensure that all job applicants receive fair treatment, regardless of age, origin, gender, disability, sexual orientation, marital status, religion or belief;
- to ensure that all employees similarly receive fair treatment throughout their career; and
- to provide a working environment of respect, free from harassment.

Balfour Beatty strives to provide employment, training and development opportunities for disabled people wherever possible. We are committed to supporting employees who become disabled during employment and helping disabled employees make the best use of their skills and potential, consistent with all other employees.

In the UK, with a returning market after a long recession, skills are in short-supply in the construction industry, making retention, training and recruitment high priorities for our businesses.

Future developments and subsequent events

In future accounting periods the Company intends to continue as the employing entity for Balfour Beatty plc Group's UK businesses (excluding Balfour Beatty Living Places).

Approved by the Board on 4 July 2018 and signed on its behalf by:



.....
G Russell
Director

Balfour Beatty Group Employment Limited

Directors' Report for the Year Ended 31 December 2017

The Directors present the annual report of the affairs of the Company, together with the Financial Statements and Auditor's report for the year ended 31 December 2017.

Key performance indicators

The Company's key performance indicators are included in the Business review section of the Strategic Report.

Financial statements and dividends

The audited financial statements of the Company appear on pages 8 to 31. The loss for the financial year of £17m (2016: £9m) has been deducted from reserves. The Company did not pay a dividend (2016: £Nil).

Directors of the company

The directors, who held office during the year, were as follows:

P J Harrison

D R Mercer

P A Raby

G Russell

D M Smith

Employment

The average number of employees for the year is 14,173.

As the Company operates across a number of business sectors in different environments, it has evolved a decentralised management structure, with employment policies designed to suit the needs of individual businesses and comply with certain key principles in its design and practice of employment policy. These are:

- for giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities;
- for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company; and
- otherwise for the training, career development and promotion of disabled persons employed by the company.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report from page 2.

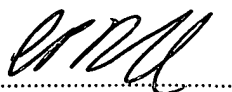
Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 4 July 2018 and signed on its behalf by:



G Russell
Director

Balfour Beatty Group Employment Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Balfour Beatty Group Employment Limited

Opinion

We have audited the financial statements of Balfour Beatty Group Employment Limited ("the company") for the year ended 31 December 2017, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Balfour Beatty Group Employment Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

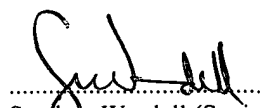
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Wardell (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
Canary Wharf
London
E14 5GL

Date: 4 July 2018

Balfour Beatty Group Employment Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover		831,422	809,456
Administrative expenses	5	<u>(839,315)</u>	<u>(813,121)</u>
Operating loss		(7,893)	(3,665)
Finance charges from pensions	7	(4,098)	(2,300)
Other finance charges		<u>(602)</u>	<u>(748)</u>
Loss before tax		(12,593)	(6,713)
Tax on loss on ordinary activities	6	<u>(4,089)</u>	<u>(1,899)</u>
Loss for the year		<u><u>(16,682)</u></u>	<u><u>(8,612)</u></u>

The above results were derived from continuing operations.

Balfour Beatty Group Employment Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Loss for the year		(16,682)	(8,612)
Movement relating to share based payments		7,893	6,240
Actuarial (loss)/gain on pension assets and liabilities	7	238,847	(120,231)
Deferred tax on items recognised in equity	6	<u>(32,260)</u>	<u>1,006</u>
Total comprehensive loss for the year		<u><u>197,798</u></u>	<u><u>(121,597)</u></u>

The notes on pages 12 to 31 form an integral part of these financial statements.

Balfour Beatty Group Employment Limited

(Registration number: 08312432)
Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Balfour Beatty Pension Fund	7	155,822	-
Debtors	8	<u>11,539</u>	<u>18,577</u>
		<u>167,361</u>	<u>18,577</u>
Current assets			
Debtors	8	92,668	121,222
Creditors: Amounts falling due within one year	9	<u>(87,566)</u>	<u>(89,315)</u>
Net current assets		<u>5,102</u>	<u>31,907</u>
Total assets less current liabilities		172,463	50,484
Deferred tax liabilities	6	(26,490)	-
Balfour Beatty Pension Fund	7	-	(60,807)
Railways Pension Scheme	7	<u>(70,800)</u>	<u>(112,302)</u>
Net assets/(liabilities)		<u>75,173</u>	<u>(122,625)</u>
Capital and reserves			
Called up share capital	10	50	50
Profit and loss account		<u>75,123</u>	<u>(122,675)</u>
Shareholders' funds/(deficit)		<u>75,173</u>	<u>(122,625)</u>

These financial statements were approved by the Board on 4 July 2018 and signed on its behalf by:



G Russell
Director

Balfour Beatty Group Employment Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2016	50	(1,078)	(1,028)
Loss for the year	-	(8,612)	(8,612)
Other comprehensive income	-	(112,985)	(112,985)
Total comprehensive income	-	(121,597)	(121,597)
At 31 December 2016	50	(122,675)	(122,625)
	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	50	(122,675)	(122,625)
Loss for the year	-	(16,682)	(16,682)
Other comprehensive income	-	214,480	214,480
Total comprehensive income	-	197,798	197,798
At 31 December 2017	50	75,123	75,173

The notes on pages 12 to 31 form an integral part of these financial statements.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies

Balfour Beatty Group Employment Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08312432 and the registered address is 5 Churchill Place, Canary Wharf, London, E14 5HU.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking, Balfour Beatty plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Balfour Beatty plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 5 Churchill Place, Canary Wharf, London, E14 5HU and on the Balfour Beatty website: www.balfourbeatty.com. They may be also viewed at the Companies House website at www.beta.companieshouse.gov.uk and via the National Storage Mechanism, which is located at www.morningstar.co.uk/uk/NSM.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Balfour Beatty plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

As mentioned in the Strategic Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Company's parent company, Balfour Beatty plc, has agreed to provide or procure adequate financial resources to allow the Company to meet its obligations as they fall due for a period of not less than twelve months from the date of signing the financial statements.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Turnover

Turnover represents the amounts rechargeable to Balfour Beatty Group's UK businesses (excluding Balfour Beatty Living Places) for employee services.

The Company's turnover recognition and margin recognition policies are central to how the Company values the work it has carried out in each financial year and matches the period of which the employees are employed.

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies (continued)

Share based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the amounts recognised for assets and liabilities and the amounts of income and expense incurred during the reporting period. Actual outcomes may therefore differ from these estimates and assumptions.

The judgements, estimates and assumptions that have the most significant effect on income and expenses and the carrying value of assets and liabilities of the Company as at 31 December 2017 are discussed below.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Retirement benefit obligations

Details of the Group's defined benefit pension schemes are set out in note 7, including tables showing the sensitivity of the pension scheme obligations and assets to different actuarial assumptions.

The effects of changes in the actuarial assumptions underlying the benefit obligation and discount rates and the differences between expected and actual returns on the schemes' assets are classified as actuarial gains and losses. During 2017 the Group recognised net actuarial gain of £239m in equity (2016: £120m loss) including its share of the actuarial gains and losses arising in joint ventures and associates.

Taxation

The Company provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

3 Auditor's remuneration

In both periods, the audit fee payable for audit of the Company's annual accounts was borne by the parent.

4 Directors' remuneration

	2017 £ 000	2016 £ 000
Directors' remuneration	359	416
Company contributions to money purchase pension plans	<u>3</u>	<u>7</u>

The aggregate of remuneration of the highest paid director was £232,586 (2016: £228,025), and company pension contributions of £Nil (2016: £Nil) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	2017 Number	2016 Number
Money purchase schemes	<u>2</u>	<u>5</u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

5 Staff costs

	2017 £ 000	2016 £ 000
Wages and salaries	651,424	637,002
Redundancy	3,445	(198)
Social security costs	70,627	73,921
Pension costs	45,941	47,455
Pension costs - exceptional	-	(700)
Other exceptional costs	-	(1,400)
Share-based payments	9,446	7,385
Employee expenses	11,842	13,241
Employee benefits	46,590	36,415
	<u>839,315</u>	<u>813,121</u>

At 31 December 2016, exceptional costs include a pension settlement gain on the disposal of Signalling Solutions Limited of £1.4m and a £0.7m pension fund settlement gain which was recognised in relation to the Balfour Beatty Pension Fund following a commutation exercise, which commenced in 2014.

Average monthly number of employees:

	2017 No.	2016 No.
Average number of employees	<u>14,173</u>	<u>14,486</u>

6 Income tax

Tax charged/(credited) in the profit and loss account:

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	-	(3,423)
UK corporation tax adjustment to prior periods	3,423	(568)
	<u>3,423</u>	<u>(3,991)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	2,768	7,656
Arising from changes in tax rates and laws	(324)	(1,246)
Arising from adjustment to prior periods	(1,778)	(520)
Total deferred taxation	<u>666</u>	<u>5,890</u>
Tax expense in the profit and loss account	<u>4,089</u>	<u>1,899</u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

6 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before tax	<u>(12,593)</u>	<u>(6,713)</u>
Corporation tax at standard rate	(2,424)	(1,343)
Increase (decrease) in current tax from adjustment for prior periods	1,645	(1,088)
Decrease (increase) from effect of revenues exempt from taxation	-	(95)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	598	597
Decrease (increase) from tax losses for which no deferred tax asset was recognised	-	5,074
Increase (decrease) arising from group relief tax reconciliation	4,594	-
Deferred tax expense (credit) relating to changes in tax rates or laws	<u>(324)</u>	<u>(1,246)</u>
Total tax charge	<u>4,089</u>	<u>1,899</u>

The Company earns its results primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the current UK corporation tax rate of 19.25% (2016: 20%).

For the year end 31 December 2017, a corporation tax rate of 19.25% has been applied in line with rates enacted by the Finance Act 2017. The Finance Act 2017, which was substantively enacted on 31 October 2017, provides for a reduction in the main rate of UK corporation tax to 19% effective from 1 April 2017 and a further reduction to 17% from 1 April 2020.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2017 £ 000
Pension benefit obligations	9,945	(1,892)	(33,013)	(24,960)
Provisions	453	-	-	453
Share-based payment	<u>2,094</u>	<u>1,226</u>	<u>753</u>	<u>4,073</u>
Net tax assets/(liabilities)	<u>12,492</u>	<u>(666)</u>	<u>(32,260)</u>	<u>(20,434)</u>

The closing pension benefit obligations balance of £24,960k comprises a deferred tax liability of £26,490k in relation to the Balfour Beatty Pension Fund and a deferred tax asset of £1,530k in relation to the Railways Pension Scheme. The deferred tax assets are included in non-current assets.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

6 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2016 £ 000
Pension benefit obligations	15,451	(6,677)	1,171	9,945
Provisions	-	453	-	453
Share-based payment	1,925	334	(165)	2,094
Net tax assets/(liabilities)	<u>17,376</u>	<u>(5,890)</u>	<u>1,006</u>	<u>12,492</u>

The Finance Act 2017, which was substantively enacted on 31 October 2017 provides for a reduction in the main rate of UK corporation tax to 19% effective from 1 April 2017 and a further reduction to 17% from 1 April 2020.

The deferred tax balances in the financial statements were measured at the future rate of 17% in both periods. In addition, any deferred tax assets or liabilities that arise in the year to 31 December 2017 will give rise to a rate change movement in respect of the credit or charge to the profit and loss, as the current tax effect will be at 19.25% and the deferred tax effect will be recognised at 17%. This gives rise to a credit to the profit and loss of £324k.

7 Pension and other schemes

On 1 February 2013, the Company became a participating employer in the Group's principal defined benefit pension schemes.

Defined benefit schemes provide benefits based on employees' pensionable service and their pensionable salary. Defined contribution schemes are those where the Company's obligation is limited to the amount that it contributes to the scheme and the scheme members bear the investment and actuarial risks.

The Group's principal schemes are the Balfour Beatty Pension Fund (BBPF), which includes defined contribution and defined benefit sections, and the Balfour Beatty Shared Cost Section of the Railways Pension Scheme (RPS). The defined benefit sections of both schemes are funded and closed to new members with the exception of employees where employment has transferred to the Group under certain agreed arrangements. Pension benefits are based on employees' pensionable service and their pensionable salary.

Defined benefit obligations are calculated using the projected unit credit method and discounted to a net present value using the market yield on a high-quality corporate bond. Contributions are determined in accordance with independent actuarial advice and are based on pension costs across the Ultimate Parent Company and its subsidiaries as a whole.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

Balfour Beatty Pension Fund

The investment strategy of the BBPF is to hold assets of appropriate liquidity and marketability to generate income and capital growth. The BBPF invests partly in a diversified range of assets including equities and hedge funds in anticipation that, over the longer term, they will grow in value faster than the obligations. The equities are in the form of pooled funds and are a combination of UK, other developed market and emerging market equities. The remaining BBPF assets are principally fixed and index-linked bonds and derivatives, providing protection against movements in inflation and interest rates and hence enhancing the resilience of the funding level of the scheme. The performance of the assets is measured against market indices.

On 1 July 2015, the Company established a Scottish Limited Partnership (SLP) structure into which its investment in Consort Healthcare (Birmingham) Holdings Ltd (Consort Birmingham), which owns a 40% interest in the Birmingham Hospital PFI investment, was transferred. The BBPF is a partner in the SLP and is entitled to a share of the income of the SLP. The Company retains the ability to substitute the investment in Consort Birmingham for other investments from time to time. On 29 December 2016 the Company transferred into the SLP its investment in Holyrood Student Accommodation Holdings Ltd, which owns a 100% interest in the Edinburgh student accommodation project.

Distributions from the SLP to the BBPF will be reflected in the Group's financial statements as pension contributions on a cash basis. In 2017, the BBPF received distributions of £1m from the SLP (2016: £1m).

Alongside the establishment of the SLP, agreement was reached to make a series of deficit payments to the BBPF with the first payment of £4m paid in 2016 and a further £5m in 2017. Following this, £7m will be due in 2018; £9m due in 2019; £13m due in 2020; £17m due in 2021; £22m due in 2022; and £25m due in 2023.

A formal triennial funding valuation of the BBPF was carried out as at 31 March 2016. As a result, the Group made ongoing deficit payments in addition to those set out above of £22m in 2017. The Group will make further contributions of £18m per annum from January 2018, £19m per annum from January 2019 and £11m in 2020.

If the dividend cover ratio is below an agreed trigger level then the contributions set out above may need to be accelerated.

This agreement constitutes a minimum funding requirement (MFR) under IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has not recognised any liabilities in relation to this MFR as any surplus of deficit contributions to the BBPF would be recoverable by way of a refund and the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the BBPF have been settled.

Railways Pension Scheme

The RPS is a shared cost scheme. The legal responsibility of the Company in the RPS is approximately 60% of the scheme's assets and liabilities based on the relevant provisions of the trust deed and rules and trustee guidelines regarding future surplus apportionments and deficit financing.

In 2013 and previous years, the assumed cost of providing benefits was split between the Company and the members in the ratio 60:40. This had been a reasonable assumption to make of how costs might have been shared over the long term. This assumption has been retained in relation to the cost of providing future service benefits.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

Since 2014, because of a declining population of active members, it became less likely that the Group's costs of meeting any deficits would be capped in line with its strict legal obligation of 60%. It was anticipated that members might only be able to afford to fund a small proportion of the scheme deficit. In the accounts for the years ended 31 December 2014 and 31 December 2015, the long-term cost of providing past service benefits was assumed to be split between the Group and the members in the ratio 95:5. From 1 January 2016 it has been assumed that the Group will be responsible for 100% of any deficit and the balance sheet assets and obligations disclosed, therefore, are equal to 100% of the total scheme assets and obligations.

The RPS invests in a range of pooled investment funds intended to generate a combination of capital growth and income and, as determined by the trustee, taking account of the characteristics of the obligations and the trustee's attitude to risk. The majority of the RPS' assets that are intended to generate additional returns, over the rate at which the obligations are expected to grow, are invested in a single pooled growth fund. This fund is invested in a wide range of asset classes and the fund manager RPMI has the discretion to vary the asset allocation to reflect its views on the relative attractiveness of different asset classes at any time. The remaining assets in the RPS are principally fixed and index-linked bonds.

Following the formal triennial funding valuation carried out as at 31 December 2016, the Group agreed to make ongoing fixed deficit contributions of £6m per annum which should reduce the deficit to zero by 2027. This agreement constitutes a MFR under IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has not recognised any liabilities in relation to this MFR as any surplus of deficit contributions to the RPS would be recoverable by way of a refund and the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the RPS have been settled.

Allocation of Defined Benefit Pension Scheme

The policy of the Group is that assets, liabilities, income and expenditure relating to the defined benefit section of the BBPF are allocated to each of the participating companies with active members in the scheme in proportion to pensionable payroll for the year.

The disclosures shown below reflect the Company's proportion of the BBPF and RPS for the period 1 January 2017 to 31 December 2017.

Defined contribution section employer contributions paid and charged in the profit and loss account have been separately identified and the defined contribution section assets and liabilities have been excluded from the tables below.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

IAS 19 accounting valuation

The principal actuarial assumptions for the IAS 19 accounting valuations of the BBPF and RPS are as follows:

Balfour Beatty Pension Fund:

	2017 %	2016 %
Expected return on plan assets	2.55	2.50
Inflation - RPI	3.15	3.20
Inflation - CPI	2.05	2.00
Discount rate	2.55	2.50
Future increases in pensionable salary	2.05	2.00
Rate of increase in pensions in payment (or such other rate as is guaranteed)	<u>2.95</u>	<u>2.95</u>

Railways Pension Scheme:

	2017 %	2016 %
Expected return on plan assets	3.15	3.20
Inflation - RPI	3.15	3.20
Inflation - CPI	2.05	2.00
Discount rate	2.55	2.50
Future increases in pensionable salary	2.05	2.00
Rate of increase in pensions in payment (or such other rate as is guaranteed)	<u>2.20</u>	<u>2.15</u>

In December 2017, the Company changed two elements of the discount rate methodology which resulted in a discount rate of 2.55% in the current year compared to 2.35% under the previous methodology. The first change was to exclude certain bonds issued by Universities and entities with a UK Government guarantee, which the Company did not consider to meet the high-quality corporate bond requirement of IAS 19. The second change, and noting IAS 19 does not specify the approach that should be adopted where there are no corporate bonds of a suitable duration, was to change from extrapolating the discount rate yield curve with reference to UK Government gilts to using the forward rates observable from relevant corporate bonds. In the Company's view, these changes resulted in a high-quality corporate bond based discount rate yield curve which is more appropriate for the profile of the Company's UK pension obligations. The impact of these changes in discount rate methodology is a £123m gain which was recognised as part of the actuarial gains/(losses) for the year within the Statement of Comprehensive Income. The Company accounted for the discount rate change prospectively as a change in estimate.

At the same time, following independent advice from the Company's actuaries, the Company reassessed the difference between RPI and CPI measures of price inflation from 1.2% at December 2016 to 1.1% at December 2017. This resulted in an actuarial loss of £25m, which was recognised as part of the actuarial gains/(losses) for the year within the Statement of Comprehensive Income.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

The BBPF actuary undertakes regular mortality investigations based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF (43,483 members at 31 December 2017) is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables. The actuary is also able to monitor changes in the exhibited mortality over time. This research is taken into account in the Company's mortality assumptions across its various defined benefit schemes. The mortality assumptions as at 31 December 2017 have been updated to reflect the experience of Balfour Beatty pensioners for the period 1 April 2016 to 31 March 2017. The mortality tables adopted for the 2017 IAS 19 valuations are the Self-Administered Pension Scheme (SAPS) S2 tables (2016: SAPS S2 tables) with a multiplier of 102% for all male and female members (2016: 102%) and 106% for female widows and dependants (2016: 109%); all with future improvements in line with the CMI 2016 core projection model (2016: CMI 2015 core projection model), with long-term improvement rates of 1.25% per annum and 1.00% per annum for males and females respectively (2016: 1.25% per annum and 1.00% per annum).

	2017 Average life expectancy at 65 years of age	2016 Average life expectancy at 65 years of age
Current UK pensioners at retirement age - male	21.90	22.10
Current UK pensioners at retirement age - female	23.60	23.90
Future UK pensioners at retirement age - male	23.00	23.40
Future UK pensioners at retirement age - female	<u>24.60</u>	<u>25.00</u>

The amounts recognised in the Profit and Loss account

Balfour Beatty Pension Fund:

	2017 £ 000	2016 £ 000
Amounts recognised in operating profit		
Current service cost	1,641	2,355
Defined contribution charge	43,000	44,000
Defined contribution charge	<u>-</u>	<u>(700)</u>
Recognised in arriving at operating profit	<u>44,641</u>	<u>45,655</u>
Amounts recognised in finance income or costs		
Expected return on plan assets	(88,348)	(108,670)
Interest cost	<u>89,746</u>	<u>109,070</u>
Recognised in other finance cost	<u>1,398</u>	<u>400</u>
Total recognised in the income statement	<u><u>46,039</u></u>	<u><u>46,055</u></u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

Railways Pension Scheme:

	2017 £ 000	2016 £ 000
Amounts recognised in operating profit		
Current service cost	1,300	1,100
Amounts recognised in finance income or costs		
Expected return on plan assets	(7,500)	(9,500)
Interest cost	10,200	11,400
Recognised in other finance cost	2,700	1,900
Total recognised in the income statement	4,000	3,000

Of the charge for the year, £46m has been included in operating loss (2016:£47m) and £4m has been included in other net finance expense (2016:£2m).

The amounts recognised in the Statement of Other Comprehensive Income

Balfour Beatty Pension Fund:

	2017 £ 000	2016 £ 000
Actuarial gains/(losses) on pension scheme liabilities*	70,548	(709,231)
Actuarial gains/(losses) on pension scheme assets	129,097	651,800
Amounts recognised in the Statement of Comprehensive Income	199,645	(57,431)
Cumulative gains/(losses) recognised in reserves	199,308	(337)

Railways Pension Scheme:

	2017 £ 000	2016 £ 000
Actuarial gains/(losses) on pension scheme liabilities*	20,501	(114,700)
Actuarial gains/(losses) on pension scheme assets	18,701	51,900
Amounts recognised in the Statement of Comprehensive Income	39,202	(62,800)
Cumulative gains/(losses) recognised in reserves	(50,021)	(89,223)

*Includes an actuarial gain due to changes in discount rate methodology of £110m for the BBPF and £13m for the RPS and an actuarial loss due to reassessing the RPI/CPI differential from 1.2% to 1.1% of £20m for the BBPF and £5m for the RPS.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

The amounts recognised in the Balance Sheet

Balfour Beatty Pension Fund:

	2017 £ 000	2016 £ 000
Present value of funded liabilities	(3,505,838)	(3,674,999)
Fair value of plan assets	3,661,660	3,614,192
Deferred tax (liability) / asset on deficit (see note 6)	(26,490)	9,945
	<u>129,332</u>	<u>(50,862)</u>

Railways Pension Scheme:

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Present value of funded liabilities	(391,100)	(415,501)
Fair value of plan assets	320,300	303,199
Deferred tax asset on deficit (see note 6)	1,530	-
	<u>(69,270)</u>	<u>(112,302)</u>

The movement in the present value of liabilities

Balfour Beatty Pension Fund:

	2017 £ 000	2016 £ 000
Present value at start of year	3,674,999	3,022,584
Current service cost	1,641	2,355
Actuarial (gains)/losses*	(70,548)	709,231
Interest cost	89,746	109,070
Benefits paid	(190,000)	(167,193)
Settlements	-	(700)
Transfers from BBGL	-	(348)
Present value at end of year	<u>3,505,838</u>	<u>3,674,999</u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

Railways Pension Scheme:

Changes in the present value of scheme liabilities are as follows:

	2017 £ 000	2016 £ 000
Present value at start of year	415,501	314,301
Current service cost	1,300	1,100
Actuarial (gains)/losses*	(20,501)	114,700
Interest cost	10,200	11,400
Benefits paid	(15,900)	(16,400)
Contributions from employees	500	-
Settlements	-	(9,600)
Present value at end of year	<u>391,100</u>	<u>415,501</u>

**Includes an actuarial gain due to changes in discount rate methodology of £110m for the BBPF and £13m for the RPS and an actuarial loss due to reassessing the RPI/CPI differential from 1.2% to 1.1% of £20m for the BBPF and £5m for the RPS.*

The movement in the fair value of plan assets

Balfour Beatty Pension Fund:

	2017 £ 000	2016 £ 000
Fair value at start of year	3,614,192	2,980,687
Expected return on plan assets	88,348	109,146
Actuarial gains/(losses)	129,097	651,800
Contributions from employer - regular funding	1,423	1,600
Contributions from employer - deficit funding	18,600	38,500
Benefits paid	(190,000)	(167,193)
Transfers from BBGL	-	(348)
Fair value at end of year	<u>3,661,660</u>	<u>3,614,192</u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

Railways Pension Scheme:

	2017 £ 000	2016 £ 000
Fair value at start of year	303,199	263,099
Expected return on plan assets	7,500	9,500
Actuarial gains/(losses)	18,701	51,900
Contributions from employees	500	700
Contributions from employer - regular funding	700	2,676
Contributions from employer - deficit funding	5,600	(16,400)
Benefits paid	(15,900)	-
Reclassified as a prepayment	-	(8,276)
Fair value at end of year	<u>320,300</u>	<u>303,199</u>

The fair value of the assets held by the schemes at 31 December

Balfour Beatty Pension Fund:

	2017 £ 000	2016 £ 000
Developed nation equities*	383,000	369,000
Emerging market equities*	36,000	117,000
Hedge funds*	336,000	399,000
Other return-seeking assets*	368,000	333,000
Corporate bonds**	620,000	697,000
Fixed interest gilts**	396,000	598,000
Index-linked gilts**	886,000	626,000
Interest and inflation rate swaps**	155,000	195,000
Property	215,000	169,000
Secure income assets	115,000	51,000
Other	152,000	60,000
Total	<u>3,662,000</u>	<u>3,614,000</u>

* Return-seeking assets

** Liability matching bond-type assets

Railways Pension Scheme:

	2017 £ 000	2016 £ 000
Return-seeking growth pooled funds	222,000	224,000
Liability matching pooled funds	86,000	78,000
Other	12,000	1,000
Total	<u>320,000</u>	<u>303,000</u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Pension and other schemes (continued)

Year-end historical information for the Company's defined benefit pension schemes

	2017 £ 000	2016 £ 000	2015 £ 000	2014 £ 000
Defined benefit liabilities at end of period	(3,896,938)	(4,090,500)	(3,336,885)	(3,451,590)
Fair value of assets at end of period	<u>3,981,960</u>	<u>3,917,391</u>	<u>3,243,786</u>	<u>3,382,198</u>
Funded status at end of period	<u>85,022</u>	<u>(173,109)</u>	<u>(93,099)</u>	<u>(69,392)</u>

Latest formal funding valuation

The last formal funding valuations of the Ultimate Parent Company's consolidated interest in defined benefit pension schemes relevant to the Company are detailed below.

	Balfour Beatty Pension Fund 2017 £m	Railways Pension Scheme 2017 £m
Date of last formal funding valuation	31/03/2016	31/12/2016
Scheme deficit		
Market value of assets	3,536	319
Present value of scheme liabilities	(3,642)	(367)
Deficit in defined benefit scheme	<u>(106)</u>	<u>(48)</u>
Funding level	97.1%	86.9%

8 Trade and other debtors

Amounts falling due within one year:

	2017 £ 000	2016 £ 000
Amounts owed by group undertakings	92,668	117,799
Income tax asset	<u>-</u>	<u>3,423</u>
	<u>92,668</u>	<u>121,222</u>

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

8 Trade and other debtors (continued)

Amounts falling due after more than one year:

	2017 £ 000	2016 £ 000
Deferred tax on share based payments (see note 6)	4,073	2,094
Deferred tax on pension scheme (see note 6)	1,530	9,945
Deferred tax on provisions (see note 6)	453	453
Prepayments	5,433	6,035
Amounts owed by group undertakings	<u>50</u>	<u>50</u>
	<u>11,539</u>	<u>18,577</u>

Amounts owed by group undertakings are repayable on demand and are interest free.

9 Trade and other creditors

	2017 £ 000	2016 £ 000
Accrued expenses	13,052	21,827
Amounts owed to group undertakings	53,648	46,619
Social security and other taxes	<u>20,866</u>	<u>20,869</u>
	<u>87,566</u>	<u>89,315</u>

Amounts owed to group undertakings are repayable on demand and are interest free.

10 Share capital

Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

11 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.
Profit and loss account	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Balfour Beatty Group Employment Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Parent and ultimate parent undertaking

The company's immediate parent is Balfour Beatty Investment Holdings Limited.

The ultimate parent is Balfour Beatty plc.

The most senior parent entity producing publicly available financial statements is Balfour Beatty plc. These financial statements are available upon request from 5 Churchill Place, Canary Wharf, London, E14 5HU and on the Balfour Beatty website: www.balfourbeatty.com. They may be also viewed at the Companies House website at www.beta.companieshouse.gov.uk and via the National Storage Mechanism, which is located at www.morningstar.co.uk/uk/NSM.